

WESTERN INTEGRATION CORRIDORS PROGRAM

(PR-0113)

EXECUTIVE SUMMARY

Borrower:	Republic of Paraguay	
Executing agency:	Ministry of Public Works and Communications (MOPC)	
Amount and source:	IDB (OC):	US\$ 100 million
	Cofinancing (CAF):	US\$ 60 million
	Local:	US\$ 30 million
	Total:	US\$ 190 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	5 years
	Disbursement period:	5 years
	Start of works:	2.5 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	Currency pool
Objectives:	Give producers in Paraguay's western region opportunities to access broader markets, facilitate development of productive activities and improve the living conditions of the rural population in that region. The program's specific goal is to lower transportation costs and reduce passenger and freight travel time	
Description:	The works and measures planned under the program are intended to improve and consolidate the most important road corridors in the western region so as to ensure a steady stream of traffic, facilitate the flow of freight and passengers, advance development of the productive sectors in that region and expand the opportunities to market products from the region on local and international markets. It also plans measures to decentralize the Highway Directorate's management of roads in the western region and to upgrade the expertise and skills of the professional and technical staff assigned to the district offices in the region, in the areas of planning, inspection, maintenance and administration of roads. The project highlights measures to protect the environment and to assist the social	

development of the low-income population and indigenous communities in the region

**The Bank's
country and
sector strategy:**

The Bank's strategy in Paraguay is geared to supporting efforts to achieve the rapid and sustained long-term economic growth that can adequately meet the population's social needs and reduce poverty and inequality. The main thrusts of the strategy are: (i) a buildup of the production structure and protection of the environment in order to further sustainable development and Paraguay's participation in the regional integration process; (ii) State reform to strengthen its role as a regulator and engine of economic and social development, to make it more efficient at providing basic social services and to strengthen governance; (iii) development of the rural sector to promote its integral development and thereby permanently improve the rural population's standard of living, reduce rural poverty and increase the economy's growth potential; and (iv) modernization and reform of social sectors to reduce poverty and improve the quality of life of the people.

The program is part of a strategy to build up the production structure and protect the environment. It will: (i) help further the country's internal integration and its integration with other MERCOSUR countries; (ii) be instrumental in developing the production sectors, especially stock-raising, crop-farming, and processing of agro-industrial products; (iii) help make social services more accessible to the low-income rural population and indigenous communities in the area, to better address their needs; (iv) facilitate monitoring and implementation of protection measures to ensure efficient control of the use of natural resources in ecologically sensitive areas, and (v) help create mechanisms to enable private-sector participation with a view to sustainable road maintenance in the western region.

**Environmental
and social
review:**

According to the environmental and social impact report, by virtue of the proactive measures proposed, the program on balance would have a positive socioenvironmental impact, and contains measures to mitigate any adverse socioenvironmental effects associated with its implementation or to reduce them to acceptable levels.

Benefits:

The program will have a significant positive impact on the socioeconomics of Paraguay's western region. It will help lift the communities in the region out of semi-isolation, increasing their involvement in the country's economy. By the program's end, travel time will be reduced by one third, which will improve access to social services.

The availability of regular means of transportation will induce growth in the economic activities already present in that region. It will also spur new investments, as overland links with neighboring countries open up. All this should mean increased job opportunities and better living conditions for the population in the area.

The improvements and additional highway-safety features along the paved segments of Route 9, some of which have deteriorated, will not only restore the service level on that important artery and prolong the useful life of the pavement but also reduce the number of accidents, lower vehicle operating costs, and make travel more comfortable.

The institutional strengthening, new road maintenance offices, training of highway personnel, new techniques for using local materials in low-cost road construction and new road-maintenance methods will show that economical solutions to access problems and to transportation in the region can be found, which will be appropriate for the still-light volumes of traffic and not resort to superior but more costly paving solutions, provided that proper maintenance of the proposed works is ensured.

This program is expected to encourage the adoption of similar criteria to improve other roads as a way to make national and departmental roads more passable and accelerate their consolidation, within the limits of the MOPC's budget.

Risks:

No major risks are anticipated for this program.

However, to keep roads with low-cost wearing surfaces intact and offer users an adequate level of service, timely routine maintenance has to be assured. The program provides for the proper maintenance, following a plan to be technically crafted while the program is in progress; funds have been budgeted for the purpose.

To make the new system sustainable, sources of funding have to be found and legislated. Once the program has ended, those sources would need to provide a steady flow of funding to replace the Bank's financing. The program includes a plan for gradually increasing the MOPC's road-maintenance budget. Also included is the hiring of consulting services to (i) assist in identifying and crafting a legal framework to ensure adequate sources of funding in the future; and (ii) periodically evaluate the progress made with introduction of that system and with execution and oversight of maintenance work.

Given the low pay scale in the public sector and the rigors of life in the western region, it may be difficult to recruit professional and technical personnel to staff the new maintenance offices planned for the region. The Highway Directorate will, therefore, set up an incentive plan to fill key slots at those offices and encourage staff to stay on board.

**Special
contractual
clauses:**

Conditions precedent to the first disbursement:

A plan for installing and operating the western region's weigh stations, including construction, outfitting, staffing (or outsourcing) for operation of the stations, in combination with the inspection program and mechanisms to enforce the penalties for violation of load limits (paragraphs 2.16 and 3.27).

Benchmark values for assessing the indicators listed in Annex II-1, to evaluate the extent to which the program's targets and objectives are being accomplished (paragraph 3.5).

Evidence that Environment Unit and its budget appropriation have been strengthened (paragraph 4.5).

Conditions precedent to disbursements for the training subcomponent (in addition to the prerequisites for the first disbursement): submittal of the training program; evidence that the training program coordinator has been appointed or hired; presentation of the plan for operating the new district offices (paragraphs 3.34 and 3.35).

Environmental and social conditions:

Within 18 months after the effective date of the loan contract:

Evidence that all supplementary studies and activities needed for execution of the environmental management plan (EMP) have been commissioned (paragraph 3.15).

Evidence that at least 8,000 hectares of land have been acquired and transferred to the indigenous communities (paragraph 3.14).

Within 24 months after the effective date of the loan contract:

Evidence that the studies and activities relating to the environmental management plan have been completed (paragraph 3.15).

Evidence that 12,000 hectares of land have been transferred to the indigenous communities (paragraph 3.14).

Within 36 months after the effective date of the loan contract, all measures associated with the environmental management plan are to have been implemented (paragraph 3.15).

The MOPC's Environment Unit must clear all payments to contractors before those payments can be authorized (paragraph 3.16).

Other special conditions:

Within six months after the effective date of the loan contract, the first of a series of regular coordination and consultation meetings is to be held (paragraph 3.38).

The multi-year maintenance plan (MMP) is to be presented within 12 months after the effective date of the loan contract. It must cover 2,000 km of roads in the western region (paragraph 3.20).

Implementation of a maintenance plan is to be under way within 24 months after the effective date of the loan contract. Under the plan, 80% of national roads are to be covered by the year 2006 (paragraph 3.21).

Throughout the program, an annual maintenance report (AMR) will be submitted to the Bank describing what was accomplished under the multi-year maintenance plan (paragraph 3.20).

Within four years after the effective date of the loan contract, evidence will be submitted to show completion of a cadastre of ownership of rights-of-way for national roads (paragraph 3.9).

Monitoring meetings are to be held throughout the program paragraphs 3.23 and 3.38).

Poverty-targeting and social sector classification:

This program qualifies as a social equity enhancing operation as described in the indicative targets for the Bank's activity mandated in the Eighth Replenishment report (document AB-1704) (paragraph 5.20).

Concerning women's participation and the project's gender impact, the project will be gender-neutral, providing more access for all to schools, hospitals and markets. Training centers with a gender approach are planned in the indigenous communities (paragraph 3.18).

Exceptions to Bank policy:

None.

Procurement: Standard Bank procedures will be followed for procurement. The threshold amounts above which international competitive bidding will be required will be US\$200,000 for consulting contracts, US\$250,000 for goods, and US\$3 million for works contracts (paragraph 3.28).